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Report of the Economic and Social Council

Open-ended panel of the General Assembly on commodities

Note by the President of the General Assembly

1. In its resolution 58/2 of 16 October 2003, the General Assembly decided to convene an open-ended panel of the General Assembly on commodities on 27 October 2003. It also decided that the President of the Assembly would present a summary of the discussions of the open-ended panel at the beginning of the debate in the Second Committee.

2. Having presided over the open-ended panel on this issue of critical importance, particularly for developing countries, I am now pleased to present the summary requested in resolution 58/2 (see annex).

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Annex

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1. The report of the Meeting of Eminent Persons on Commodity Issues (A/58/401), which was held at Geneva on 22 and 23 September 2003 under the auspices of the United Nations Conference on Trade and Development (UNCTAD), and the summary of the discussion at the recent session of the Trade and Development Board on the report of the meeting (see A/58/15 (Part V), chap. I.D.5), provided invaluable input to the deliberations of the open-ended panel.

2. In remarks made at the opening of the panel, the Chairman of the Second Committee, Iftekhar Ahmed Chowdhury, underscored the link between the deliberations of the panel and the consideration of agenda item 91 (g), Macroeconomic policy questions: commodities, by the Second Committee. His remarks put the issue into perspective in the context of the development of commodity-dependent countries in the global economy. Rubens Ricupero, Secretary-General of UNCTAD, gave a summary of the findings of the Meeting of Eminent Persons.

3. Four of the 15 eminent persons who participated in the important UNCTAD commodities exercise — Jorio Dauster, Roman Grynberg, Irfan ul Haq and Martin Kohr — also participated in the open-ended panel. They provided details of the results of their deliberations, as set out in the above-mentioned report, as their initial input into the interactive discussion that followed. Mark Ritchie, President of the Institute for Agriculture and Trade Policy, was invited to open the panel's interactive discussion.

4. Since the report of the Meeting of Eminent Persons on Commodity Issues was important to focusing the deliberations of the panel, it would be useful to recall some of its pertinent elements. The report contains 15 recommendations for action, which are arranged in three groups: those to be addressed in the short, the medium and the long term. In their report, the Meeting of Eminent Persons also made five specific recommendations, to which they attached the highest priority, particularly in the context of follow-up by the General Assembly:

(a) Enhanced, equitable and predictable market access for commodities of key importance to developing countries;

(b) Addressing the problems of oversupply for many commodities;

(c) Making compensatory financing schemes user-friendly and operational;

(d) Strengthening capacity and institutions;

(e) Pursuing the possibilities for the creation of a new International Diversification Fund.

5. The presentations of the panellists and the interactive discussion that followed covered a broad range of subjects relating to the issue of commodities. Among the interesting and notable perspectives that emerged from the presentations of the panel, which were taken up in the course of the interactive discussions, was the idea that the issue is simultaneously an "old" and a "new" one. In that context, the panellists emphasized the longstanding dependence of numerous developing countries on a few commodities for a major part of their income and export

earnings. For those countries, the performance of commodities markets has a major impact on their macroeconomic stability, their capacity to meet foreign debt obligations, their balance of payments performance, their success in poverty reduction and their overall sustainable development efforts.

6. Increased and sustained efforts to solve problems associated with commodity markets, including price declines and volatility, overdependence on a handful of commodities for export revenues and oversupply, were regarded as critical actions that had to be taken. In this context, improving competitiveness and ensuring better participation in global supply chains was considered to be key.

7. Panellists and participants identified a number of macroeconomic patterns of central importance that make the commodities issue a "new" one, requiring renewed attention by the international community. Pertinent "new" matters, together with comments/issues raised in the context of the panel discussion, which are particularly important to the deliberations of the Second Committee, were:

(a) Commodities and sustainable development: a new regime for commodity dependent countries was considered to be essential to long-term sustainable development;

(b) Commodities and Millennium Development Goals: attaining the objectives of the Millennium Development Goals would continue to be a serious challenge for those countries contending with widely varying or declining income owing to overdependence on the export of a single commodity, an issue that had to be addressed;

(c) Commodities and reduction of market participants: the panellists made particular note of the fact that the structure of the commodity markets of most developing countries is now marked by a significant reduction in market participants, as a result of which there has been a strengthening of the relative position of multinational firms in each commodity sub-market;

(d) Commodities and heavily indebted poor countries: many heavily indebted poor countries, in order to provide the information needed for the completion point and other markers required for the World Bank's Debt Initiative for HIPC, crucially depend on accurate forecasts for national revenues from the export of commodities. When such forecasts are not met, the entire Debt Initiative programme is undermined;

(e) Commodities and the World Trade Organization: the Doha programme of work, adopted by the World Trade Organization (WTO) at its fourth Ministerial Conference in 2001, contains but a single paragraph on commodities, and there was only one explicit commodity item, on cotton, on the agenda of the WTO fifth Ministerial Conference, held in Cancun, Mexico, in September 2003. Regrettably, the WTO process was not even able to address the urgent demands of West African countries on that single commodity;

(f) Commodities and vulnerabilities: the Economic and Social Council is now grappling with the definition of vulnerabilities in the context of least developed countries; every indication is that one key component of that definition might well be the vulnerability of those countries to the external structural realities of the commodity markets;

(g) Commodities and small island developing States: the Second Committee is now preparing for the review of the Barbados Programme of Action for the Sustainable Development of Small Island Developing States, and for the review conference, now scheduled for August 2004. A crucial matter for the economic viability of small island developing States is, in many cases, their dependency on a single commodity for export, a matter that should be addressed in the preparatory process and at the conference;

(h) Newer commodities: in earlier consideration of the commodities issue, it was understood by Governments that commodities referred to trade and processing of natural products, minerals and agricultural goods. Today, the concept of commodities could include industrial products and services that are marketed as if there were "old" commodities. Such is the case with commodities such as computer chips and commodity service providers.

8. Panellists and participants went beyond noting newer aspects of the commodities issue to identify new ways that intergovernmental cooperation could contribute to a resolution of challenges in this area. They emphasized that developing countries alone could not solve the problems in commodities markets arising from defects in the global market. A viable and long-term solution required action by individual countries, as well as joint action by consumers and producers of commodities from developing and developed countries alike.

9. Suggestions for future action on the commodities issue, as well as to enhance its visibility, included the involvement of a range of international organizations and possible action they might take. Concerned organizations and proposed courses of action, as well as action that might be taken in the context of the Millennium Development Goals and the United Nations Global Compact included:

(a) World Trade Organization: calls were made for the resumption of the Doha negotiations, giving special attention to negotiations on cotton and other commodities;

(b) International Monetary Fund: the connection between structural adjustment programmes and commodities and the importance of well-functioning compensatory finance systems was noted, and it was urged that these matters be considered;

(c) UNCTAD: the need to enhance capacity-building initiatives, establish new multi-stakeholder partnerships on commodities and examine the interrelationship between national development and the global market in detail was stressed by panellists and participants. These are important themes for consideration at the eleventh session of UNCTAD, which is to be held in Brazil in 2004;

(d) Millennium Development Goals: it was proposed that commodity-dependency matters should be considered in the implementation of the Millennium Development Goals;

(e) The United Nations Global Compact and individual commodity firms and their trade associations: both panellists and participants identified incorporating a commodity focus into ongoing corporate social responsibility efforts as a matter for urgent action.

10. One member of the panel also stressed that a long-term solution might be to take a new look at the establishment of an international export diversification fund.

Regarding keeping the commodities issue under long-term consideration, it was proposed that the open-ended panel on commodities might be maintained as a standing advisory group on commodity matters.

11. The commodity issue is of importance to millions of people around the world. There is an urgent need, now more than ever, to address it. Importantly, one head of State commented in his address to the general debate that there is a "conspiracy of silence" on the commodities issue. It is instructive in that regard that the sub-item on commodities, discussed under the topic of macroeconomic issues, is a biennial topic in the Second Committee.

12. As noted above, the commodities issue is mentioned in only one paragraph of the Doha programme of work of WTO. Cotton received attention at the fifth WTO Ministerial Meeting in Cancun only through the insistence of four African producers. Over the years, the work of UNCTAD, which was established in the 1960s in part to deal with the commodities issue, has been severely curtailed. Public understanding of the commodities issue now needs to be strengthened, resources allocated to the work on commodities need to be increased and the visibility of the commodities issue needs to be enhanced through international dialogue. These were courses of action that were highlighted by both panellists and participants alike.

13. A comprehensive programme of action by all relevant parties, including the private sector and non-governmental organizations, is critical. The objectives of such a programme could include: action for enhanced, equitable and predictable market access; solutions to the oversupply of commodities; user-friendly compensatory finance schemes; and technical assistance to strengthen national capacity and institutions, including assistance in dealing with the problems arising from defects in the global commodity market.

14. The expert opinions and recommendations of the eminent persons were very much appreciated, as was the secretariat support provided by UNCTAD and the Financing for Development Office in the Department of Economic and Social Affairs of the United Nations Secretariat. I take this opportunity to thank them once again for their contribution.

15. Let me now conclude by emphasizing the importance that I personally attach to cooperation in the commodities area, and in particular to practical solutions to address, as a matter of urgency, the plight of commodity-dependent countries. Our deliberations at this fifty-eighth session of the General Assembly have, I believe, raised the profile of our work in this area. It remains for us to sustain these efforts.

16. The Second Committee will now move to the next stage of its deliberations on sub-item 91 (g), on commodities, in particular by translating the deliberations of the open-ended panel and other relevant reports and discussions into what I hope will be an action-oriented, implementable resolution. The Chairman of the Committee has assured me that he will give this matter his personal attention. Let me assure you that I stand ready to work with him and to assist in any way I can to forge consensus on the resolution as well as on any other issues in the area of commodities.